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Sugar imported from the Argentine Republic

Washington

1923

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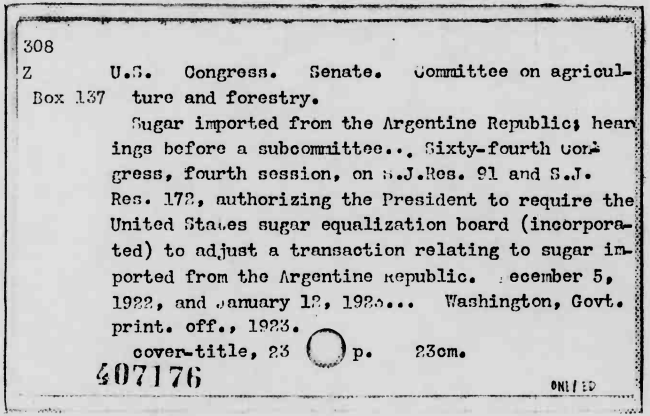

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SUGAR IMPORTED FROM THE ARGENTINE REPUBLIC

JUN 8 1931

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

SIXTY-SEVENTH CONGRESS
FOURTH SESSION

ON

S. J. Res. 91 and S. J. Res. 172

AUTHORIZING THE PRESIDENT TO REQUIRE THE UNITED STATES SUGAR EQUALIZATION BOARD (INCORPORATED) TO ADJUST A TRANSACTION RELATING TO SUGAR IMPORTED FROM THE ARGENTINE REPUBLIC

DECEMBER 5, 1922, AND JANUARY 12, 1923

Printed for the use of the Committee on Agriculture and Forestry

WASHINGTON
GOVERNMENT PRINTING OFFICE
320 94 1923

COMMITTEE ON AGRICULTURE AND FORESTRY.

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Ag. Ry. 1923

SUGAR IMPORTED FROM THE ARGENTINE REPUBLIC.

TUESDAY, DECEMBER 5, 1922.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The subcommittee met, pursuant to call, at 10.30 o'clock a. m., Senator Charles L. McNary (chairman) presiding.

Present: Senator McNary (chairman), Gooding, and Ladd.

Senator MCNARY. The subcommittee will please come to order. We are to consider Senate Joint Resolution 91, authorizing the President to require the United States Sugar Equalization Board to adjust a transaction relating to 3,500 tons of sugar imported from the Argentine Republic.

(The resolution is here printed in full, as follows:)

"[S. J. Res. 91, Sixty-seventh Congress, first session.]

"JOINT RESOLUTION Authorizing the President to require the United States Sugar Equalization Board (Incorporated) to adjust a transaction relating to three thousand five hundred tons of sugar imported from the Argentine Republic.

"*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That the President is authorized to require the United States Sugar Equalization Board (Incorporated) to adjust with Robert A. Watson, of South Orange, New Jersey, a certain transaction entered into and carried on by said Watson under the direction of the Department of Justice, which transaction involved the purchase in the Argentine Republic between the 11th day of June, 1920, and the 30th day of June, 1920, of three thousand five hundred tons of Argentine refined sugar, the importation thereof into the United States and the distribution of the same within the United States, and to require the said United States Sugar Equalization Board (Incorporated) to liquidate and adjust the entire transaction in such manner as may be deemed by said board to be equitable and proper in the premises, paying to the said Watson such sums as may be found by said board to represent the actual loss sustained by him in said transaction ,and for this purpose the President is authorized to vote or use the stock of the corporation held by him, or otherwise exercise or use his control over the said United States Sugar Equalization Board and its directors, and to continue the said corporation for such time as may be necessary to carry out the intention of this joint resolution."

Senator MCNARY. The claimant is Mr. Watson, I believe?

Mr. WATSON. Yes, Mr. Chairman.

STATEMENT OF ROBERT A. WATSON, NEW YORK.

Senator MCNARY. Will you please give the reporter your name, address and occupation.

Mr. WATSON. Robert A. Watson, 46 Front Street, New York. At present I am a liquidator.

Senator MCNARY. At the time of this transaction in what business were you engaged?

Mr. WATSON. Exporting and importing.

Senator MCNARY. Do you operate ships?

Mr. WATSON. No.

Senator MCNARY. Were you an agent?

Mr. WATSON. No; I was not an agent. I owned a ship of my own, one sailing vessel, which I bought during the war to carry on my business. I was not a shipowner.

Senator McNARY. Your claim involves, as I understand it, 3,500 tons of sugar?

Mr. WATSON. Yes.

Senator McNARY. Imported from the Argentine?

Mr. WATSON. Yes.

Senator McNARY. I might say to you that this committee about two years ago heard two claims, one the Howell claim, as I recall it, and the other the Deronda.

Mr. WATSON. And also the American Trading Co., did you not?

Senator McNARY. Yes; but that is the same as the Howell case. The committee reported favorably, and the Senate passed the bills, and they are now pending on the House Calendar. Does this claim of yours fall within that same group or character as the others?

Mr. WATSON. Yes, sir.

Senator McNARY. Will you go ahead as briefly as you can and tell the committee the reason for your claim against the Government?

Mr. WATSON. In June of 1920, knowing of the shortage of sugar which existed, I came to Washington to see Mr. Figg, who was then Special Assistant Attorney General, I believe. I told him that I was in the importing business and was going to import a quantity of Argentine sugar; that I had a license from the Government of the Argentine to export about 10,000 tons. Mr. Figg told me we would not be allowed to distribute that sugar in this country, that the Department of Justice would take that sugar over and distribute it to whom it thought best; that they would not allow any profit to be made on it beyond one cent a pound, which I believe was the amount generally allowed to importers of sugar.

I explained to him that the Argentine Government insisted on having a deposit of 30 per cent on all the sugar purchased for export left with the Government in Buenos Aires, to take care of their own requirements, and that that margin would be entirely inadequate when you had to finance that amount of sugar in Buenos Aires; but Mr. Figg tol dme that unless we could come to terms with him they would confiscate my sugar on arrival.

I had arranged with some New York bankers to open credit for the importation. I went back and reported to them the attitude of the department and they said, "Well, I think you might go back and see Mr. Figg and see if you can not get a proper arrangement made."

I came back to Washington, saw Mr. Figg, and he told me that it was out of his hands and in the hands of Mr. Riley, who had opened offices in the Post Office Building in New York City.

Senator McNARY. What is Riley's full name; we may want to call him here?

Mr. WATSON. Armin W. Riley.

Senator McNARY. Do you know his present address, in case we should want to reach him?

Mr. WATSON. I do not know it. He was Special Assistant Attorney General, and so signed himself.

I want to say Mr. Orr was with me when I called at Mr. Figg's office and also at Mr. Riley's office. I went back to New York to see Mr. Riley, and a day or two later I saw him, and Mr. Riley told me that if I would agree to permit his office to distribute all of the sugar which I imported, and only permit his office to do so, that he would agree that he would grant me permission to import the sugar. I agreed with him to do that.

Two or three days later he called me on the phone and asked me to come to see him and showed me a number of large sheets of orders which he had, which he said totaled about 60,000 tons, and told me he would give me the names of the people to whom I was to distribute the sugar.

A day or two later I called and he stated that the department could not physically handle the sugar itself, so it had organized a small corporation called the Canners' Supply Co., and put at the head of it a Mr. James Boyd, and that I was to take all of my orders from Mr. James Boyd. I went up to Mr. Boyd's office.

Senator McNARY. Who was Boyd; was he connected with the Government?

Mr. WATSON. We was connected with the Government, by appointment from Mr. Riley.

Senator McNARY. Please state his full name for the record. And do you know his address?

Mr. WATSON. No. 135 Broadway was the last address I had.

Senator McNARY. What was his full name?

Mr. WATSON. James Boyd.

Mr. Boyd gave me three orders, one for Mr. Lovelace at Poughkeepsie, who, he told me, was appointed to secure sugar for the city institutions, one for the Bausch & Lomb Optical Co., of Rochester, who had applied to Mr. Riley for sugar for their employees, not being able to purchase any sugar in Rochester, and one for the Exchange Supply Co., of Tampa, Fla., who were canners. He told me that although he had orders from there for nearly 30,000 tons he could not give me bookings for the entire quantity at that time, as some people were very much more in need of the sugar than others, and he was going to distribute the arrivals as they came; but he stated that they would have no difficulty whatever in taking the entire 10,000 tons as soon as the sugar arrived.

I notified them when the first shipment was on the way and asked for further orders. Mr. Boyd said he would have to wait until the sugar got close by before he could make out his plan of distribution. When the sugar actually arrived in New York I called him and asked him for distribution for the entire lot and was then told that they did not require any sugar.

I then notified Mr. Riley of Mr. Boyd's attitude and Mr. Riley paid no attention to my letter. I notified him that I had another 1,900 tons at Buenos Aires—no; 1,900 tons was the first shipment, and there were 1,600 tons still to come forward, and in view of this action on their part I would have to immediately resell the sugar in Buenos Aires.

I could get no reply of any kind from them and I cabled to Buenos Aires to sell the sugar. I then advised the bankers of the action of the Department of Justice, and they told me I must follow instructions that I had agreed upon and not to sell any of the sugar outside of their jurisdiction.

When my margins became exhausted with the bankers they told me they would have to insist upon selling the sugar, and before they could do it there was a tremendous loss.

Senator McNARY. Who told you to sell the sugar?

Mr. WATSON. Three of the bankers interested stated that unless we could put up more margins they would have to dispose of the sugar. We could get no letters from Mr. Riley and we could get no interviews with him.

Senator McNARY. You claim that you held the sugar at the direction of Mr. Riley, then representing the Government, through the Department of Justice?

Mr. WATSON. Yes, sir.

Senator McNARY. Where was Riley when you were writing to him?

Mr. WATSON. At the Post Office Building.

Senator McNARY. In what city—here in Washington?

Mr. WATSON. No; in New York. He had opened a special office there.

Senator McNARY. Did you call on him?

Mr. WATSON. I did, and could not see him.

Senator McNARY. How many times did you go to see him?

Mr. WATSON. I went three or four times.

Senator GOODING. Have you got any correspondence with regard to this matter?

Mr. WATSON. Yes, sir.

Senator McNARY. Do you want to put that correspondence in the record?

Mr. WATSON. Yes, sir.

Senator McNARY. How long was the interval between the times that you could not see Riley and when these bankers told you that you had to dispose of the sugar?

Mr. WATSON. I have that here.

Senator GOODING. My understanding of it is that the Government forced you to hold this sugar without furnishing you sale for it at all. Is that it?

Mr. WATSON. They furnished me sale for a part of it, sir, before it arrived; but when it arrived they simply threw me down and said they didn't require any sugar at all. They would take no other attitude and I could get nothing else out of them.

Senator GOODING. And they did not furnish you any sales at all for the sugar?

Mr. WATSON. None whatever.

Senator McNARY. On what basis do you compute your losses?

Mr. WATSON. The difference between what I paid for the sugar and what it was finally liquidated for.

Senator McNARY. How was that done; put that in the record.

Mr. WATSON. I sent this information to Senator Frelinghuysen——

Senator McNARY. This is not Mr. Frelinghuysen's case, Mr. Watson.

Mr. WATSON. Here is a whole statement, with copies of the documents.

Senator McNARY. Can you tell me how much is involved as the basis of your claim?

Mr. WATSON. Yes, sir; $739,000.

Senator McNARY. How did you arrive at that figure?

Mr. WATSON. I have a statement of it, sir. Here is a statement of it and all the original documents.

Senator McNARY. Let that statement be inserted in the record.

(The statement referred to above is here copied in full, as follows:)

Statement of Buenos Aires transaction with Department of Justice.

Paid for 1,089 tons, J. P. Morgan & Co.'s acceptances		$348,482.08	
Paid for 906.45 tons, partly financed Bank of British West Africa		290,064.00	
Paid for 1,600 tons as per copy liquidation account		512,000.00	
Freight to New York on 1,995.45 tons, at $13		25,940.35	
			$1,176,486.43
Gross sales, 1,089 tons, J. P. Morgan credits	$140,560.68		
Less cash credit	26,878.16		
Balance	113,682.52		
Less expenses as per account J. P. Morgan & Co	15,309.13		
Total net proceeds		98,373.39	
Net sales, 906.45 tons as per statement Bank of British West Africa	111,698.87		
Less expenses	23,413.87		
Total net proceeds		88,285.00	
Net proceeds, sale 1,600 tons in Buenos Aires as per liquidation account		250,240.00	
Final net proceeds			436,898.39
Total purchased cost plus freight			1,176,486.43
Total net proceeds			436,898.39
Deficit			739,588.39

Senator McNARY. What did you pay for the sugar per pound in the Argentine?

Mr. WATSON. Seventeen and one-fourth cents, landed in New York.

Senator McNARY. You bought it on the basis of the New York price?

Mr. WATSON. No; the New York price at the time was 24 to 26 cents, and my agreement was to supply the people to whom Mr. Riley would order me to deliver the sugar at a cent and a quarter over that cost price.

Senator GOODING. They forced you to hold the sugar, did not arrange a market for you, and then the market broke?

Mr. WATSON. Yes, sir.

Senator GOODING. And they left the sugar on your hands?

Mr. WATSON. Yes, sir; the market broke so rapidly that for a period you could sell none.

Senator McNARY. You finally sold the sugar?

Mr. WATSON. Yes.

Senator McNARY. And this is your actual loss?

Mr. WATSON. Actual loss, no profit, no interest or anything.

Senator McNARY. What was Riley's reason for his attitude in not wanting to see you? And you haven't told me yet the length of time that intervened there.

Mr. WATSON. Well, the sugar arrived in August, and the first sale was made in December. The sales went along from December to February 5, before we got rid of all of it.

Senator McNARY. You finally disposed of all of it on that date?

Mr. WATSON. Yes, sir.

Senator McNARY. When was Riley refusing to see you during that time?

Mr. WATSON. This letter is dated August 20.

"This will keep you advised that I have about 1,800 tons of Argentine sugar coming on the steamship *Winona*.

"I wish you would get after Mr. Boyd and ask him to provide me bookings for this quantity. So far he has only placed orders with me for 120 tons and I am getting a little anxious as to the distribution which should all be arranged for prior to arrival."

That was August 20.

Senator McNARY. Who wrote that letter, and to whom was it addressed?

Mr .WATSON. It is addressed to the Department of Justice, Washington, D. C., attention of Mr. Armin W. Riley.

Senator McNARY. Was that signed by you?

Mr. WATSON. Yes, sir.

Senator GOODING. How about his answer to that? Did you get an answer?

Mr. WATSON. I got no answer to that at all, sir. On August 25, I wrote him again as follows:

"I am sorry I have no advice as yet from either you or Mr. Boyd as to the disposal of the entire quantity of sugar I have coming on the steamship *Winona*. This is very much upsetting the arrangements I have made to finance these purchases, and I will have to sell in Argentina the balance of the lot purchased as I can not bring to this side, owing to the fact that I can not open further credits until I can show a definite distribution of the 1,900 tons already on the way."

Senator McNARY. Did he answer that letter?

Mr. WATSON. No, sir. [Reading:]

"I am cabling my correspondents to dispose of the balance purchased and regret to advise you that there will be a considerable loss on this quantity, which matter I will take up with you at a later date."

That was on August 25. There was no answer to that. Then I tried to see him a number of times. The last time I went to the post office he had moved back to Washington. I came down to Washington and tried to see him; they told me that Mr. Riley had not been there for several days and they did not know when he would be back.

Senator McNARY. Is the purport of the letter you have there about the same as those you have read?

Mr. WATSON. Yes, sir.

Senator McNARY. What is the date of that?

Mr. WATSON. The next one is dated October 10.

Senator McNARY. Did he answer that letter?

Mr. WATSON. He answered none of these letters after the trouble and difficulties began, none whatever.

Then, these are the letters that passed between me and the Canners' Supply Co. Shall I read them?

Senator McNARY. No; they may go in the record. Have you anything in the way of written evidence supporting your verbal testimony that Riley, acting for the Government, imposed this obligation upon you?

Mr. WATSON. I have a letter from Mr. Riley.

Senator GOODING. You had better put that letter in.

(The letter referred to above is here copied in full, as follows:)

DEPARTMENT OF JUSTICE,
Washington, D. C., June 23, 1920.

ROBERT A. WATSON, Esq.,
% The Nafra Co. (Inc.), 120 Broadway, New York.

DEAR MR. WATSON: This is to confirm our various conversations and in reply to your letters of June 19 and 23, 1920.

In view of the fact that the sugar requirements of the people of this country are in excess of the supply now available and in order to encourage the importation into this country of foreign sugars, you will be permitted to import the sugars mentioned upon the terms set forth in your said letters.

You are further informed that if you carry out the department's requirements as to price and distribution as so set forth, no prosecutions under the Lever act, as amended, will arise therefrom.

Very truly yours,

ARMIN W. RILEY,
Special Assistant to the Attorney General.

Senator MCNARY. Who wrote that letter to you?

Mr. WATSON. This is from Armin W. Riley, special assistant to the Attorney General, on the letter head of the Department of Justice, and is dated June 23, 1920. They were threatening me with prosecutions under the Lever Act if I would not do what they said.

Senator MCNARY. I would construe that to be a permission for you to import it and sell it at a certain price.

Mr. WATSON. If I would carry out the requirements.

Senator MCNARY. Have you anything in writing to show what those requirements were?

Mr. WATSON. Yes. I have my letter of June 18 to the department.

Senator MCNARY. That is your letter to the department?

Mr. WATSON. Yes, sir; in which I say: "I am prepared to do my best to carry the transaction through, provided your department will write me a letter giving its sanction to the importation of sugar from the Argentine upon the following conditions"—this is after many conversations I had had with them, and it is outlined by Mr. Riley, who said he didn't want a contract with us, but he wanted an understanding of what we had discussed:

"(1) Upon the basis of the present cost price to me of refined Argentine sugar, approximately 17¼ cents per pound c. i. f. American ports, I propose to market the sugar at not exceeding 20 cents per pound."

Seventeen and one-fourth cents, with the duty, was 18.69. The expenses paid brought it up to 18.90. So there was 1.1 cents out of which we had to finance the proposition in Buenos Aires, so there was an actual margin of 2 cents.

The second proposition was——

Senator MCNARY. Have you read all of that letter?

Mr. WATSON. No. I am just reading the terms.

Senator MCNARY. You had better put that whole letter in and point out to me, if you can, whether there is any obligation on the part of the Government to guarantee you against loss.

(The letter above referred to is here copied in full, as follows:)

NEW YORK, *June 18, 1920.*

UNITED STATES DEPARTMENT OF JUSTICE,
Post Office Building, New York City.

(Attention of Mr. Armin W. Riley.)

DEAR SIRS: In connection with the proposed purchase of a large quantity of refined Argentine sugar, I have been in communication with your office, both in Washington and New York, in order to clarify the situation, particularly as regards the operation of the Lever Act applied to the sale of this sugar in the United States.

The facts are substantially these:

I am in a position to accept offers for refined Argentine sugar, which it was proposed to market in this country. In order to obtain the sugar it was necessary to present the proposition to financial institutions, so that proper arrangements could be made to establish credits necessary to finance the purchase.

You will appreciate that the regulations concerning the export of sugar, issued by the Government of the Argentine Republic, and the attendant hazards in connection with the purchase and sale of this sugar make this transaction entirely different from the ordinary transactions carried on by the ordinary wholesaler of sugar in this country.

In view of the great shortage of sugar in this country, it was deemed advisable to discuss with your department the advisability of bringing this sugar to America, and the possible effect of the Lever Act upon the profit believed to be necessary in order to meet the risks involved and the necessary financing.

Some days ago this situation was fully discussed with your department in Washington and the difficulties arising under the Lever Act seemed to be such as to make it inadvisable for me to pursue the matter further, by the great shortage of sugar in this country and the need to take measurese to relieve the same has caused me to take up the matter anew with you in order to see if the transaction can be consummated. I am therefore laying the matter before you again for consideration, after an informal discussion with you to-day. I am prepared to do my best to carry the transaction through, provided your department will write me a letter giving its sanction to the importation of sugar from the Argentine upon the following conditions:

(1) Upon the basis of the present cost price to me of refined Argentine sugar, approximately 17¼ cents per pound c. i. f. American ports, I propose to market the sugar at not exceeding 20 cents per pound.

(2) Should the cost price to me of refined Argentine sugar change, the sale price by me would increase or decrease proportionately, as the case may be, so that the sale price might be either greater or less than 20 cents per pound, dependent upon the cost price to me.

(3) I agree to permit your office to designate the channels through which this sugar shall be distributed, provided that the ultimate purchasers satisfy me as to their financial standing, and as to the terms of settlement.

Inasmuch as I expect to begin the importation of this sugar at once, it is highly important that your decision be rendered immediately, so that negotiations can be completed and credits cabled.

Yours very truly,

R. A. WATSON.

Mr. WATSON. There was no obligation stated there against loss, but I took it for granted that in good faith they were going to distribute the sugar.

Senator MCNARY. I do not want to be argumentative at all. I simply want to satisfy myself as to what the liability is on the part of the Government. You made a proposal to bring to this country from the Argentine a certain quantity of sugar?

Mr. WATSON. Yes.

Senator MCNARY. The Government was to designate the people to whom this sugar was to be delivered?

Mr. WATSON. Yes, and the price.

Senator MCNARY. You were to charge a certain price for it?

Mr. WATSON. Yes, and they were to distribute.

Senator MCNARY. And if it was higher than that permissible under the Lever Act they agreed not to prosecute. That is a fair proposition, but I do not get your point where the Government is involved in that, where the Government obligated itself in any way to make up any loss that you may have suffered through the channels of trade.

Mr. ORR. May I make a statement there?

Senator MCNARY. Yes.

Mr. ORR. In the first place we were not permitted to bring sugar in at all originally and sell it for our own account, because the Lever Act prevented anything above a cent a pound, and we could not take the risk on Argentine sugar at 1 cent a pound. We therefore came down to the Department of Justice and asked them if they would let us bring it in at a cent and a quarter a pound. They said they would let us bring it in provided, and provided only, that they would give distribution of the sugar. When we got the sugar in here we could have sold it immediately and make a good profit on it, but we had to have the distribution come through the Department of Justice. We couldn't go out and make contracts to deliver the sugar, which we could have done except for our obligation with the Department of Justice, and therefore it was the obligation that we lived up to that caused the loss.

Senator MCNARY. Then it isn't a strictly contractual obligation, but it is a moral one?

Mr. ORR. It is semilegal.

Mr. WATSON. I think it is more a moral one, myself.

Senator MCNARY. I quite agree with you on that. You think if you had been permitted to distribute this sugar you could have sold it all at a gain?

Mr. WATSON. I could have sold it all, yes. I think myself it is a moral obligation.

Senator MCNARY. Inasmuch as they were to direct the channels of distribution, you think that the delay that they caused was their own fault, the price broke, and therefore a loss was suffered, and that morally the Government is bound to recompense you. That is your claim, isn't it?

Mr. WATSON. I think that is correct.

In order to show that my understanding with the Government was being carried out I will read a letter that I wrote to the Canners' Supply Co. on July 23:

"Relative to the sale of one carlot of 60,000 to 80,000 pounds of Argentine grade A granulated refined sugar to F. B. Lovelace, of Ponghkeepsie, N. Y., at 21 cents net per pound f. o. b. New York, would advise that I have just written acknowledging this order and, in consideration of your reducing the price of this sugar to 19 cents net per pound f. o. b. car New York, I have quoted a price

to Mr. Lovelace of 20 cents net per pound f. o. b. car New York. Will you kindly note this order on your books, and oblige?"

I beg your pardon, gentlemen, that letter is from the Canners' Supply Co. to me; not from me to them. I advised them that I had just written acknowledging this order, and in consideration of their reducing the price to 19 cents per pound, that I had quoted a price to Lovelace of 20 cents net per pound. I got word from my correspondent that the duty in the Argentine had been reduced from 10 to 2 per cent, which meant a reduction of one cent per pound in the cost of the sugar to me, and I immediately notified what I considered was the Department of Justice that this reduction had taken place and that they could reduce their price to the buyers.

Senator McNARY. The Canners' Supply Co. was one of the persons designated to whom you were to deliver your sugar?

Mr. WATSON. They were given to me by the Department of Justice.

Senator McNARY. Let me see that letter, please.

(The witness handed the letter to Senator McNary.)

Mr. WATSON. I had received word that the duty had been reduced from 10 to 2 per cent, so I was working under the understanding that I had with the department right along. This entire thing has come about as a result of my trying to live up to the agreement that I considered that they had with me.

Senator McNARY. You want the Sugar Equalization Board to recompense you out of the funds they have in your possession?

Mr. WATSON. I understand that that is the only way you can recompense, out of the funds in their possession.

Senator McNARY. We had a hearing here, two, three, or four years ago, during the sugar shortage, which really was the type of the inquiry that we had at the time, and at that time they had $9,000,000 in their funds. I do not know whether that sum has been transferred to the Treasury Department or not.

Mr. WATSON. When this thing first came up I was quite at a loss to know what to do, and I came down and asked Mr. Hoover, who was head of the Department of Commerce; I thought it might come under his jurisdiction some way. Mr. Hoover told me then that he had been made custodian of the sugar equalization fund until such time as all claims against the Sugar Board had been properly settled. I think he told me, sir, at that time, that he had in his possession $37,000,000.

Senator McNARY. Who told you that?

Mr. WATSON. Mr. Hoover.

Senator McNARY. He was never connected with the Sugar Equalization Board.

Mr. WATSON. But Mr. Hoover, when the board was liquidated, or so he told me—I do not know anything about it personally—was made custodian of the fund.

Senator GOODING. Custodian of the funds of the Equalization Board.

Mr. WATSON. Yes, sir.

Senator McNARY. When Hoover went out as Food Administrator, the duties of the office were transferred, under a joint resolution of Congress, to the Department of Justice. Have you ever taken this matter up with A. Mitchell Palmer, who was then Attorney General.

Mr. WATSON. No.

Senator McNARY. The only representatives of the department that you saw were Riley and Figg?

Mr. WATSON. Yes.

Senator McNARY. You have given us all the written evidence you have of your case?

Mr. WATSON. Yes.

Senator McNARY. Have you seen this man Riley in the last two or three years?

Mr. WATSON. No.

Senator McNARY. Have you presented the claim to the Department of Justice, or have you taken it up with them or with the Sugar Equalization Board?

Mr. WATSON. No, sir. The Sugar Equalization Board went out of existence. They went out of existence the 1st of January, 1920.

Senator McNARY. And when did this claim arise?

Mr. WATSON. About the end of 1920.

Senator LADD. Are you a sugar importer?

Mr. WATSON. I have been for nearly 30 years, but not Argentine sugar before, because it never came here; it never came to this country until that year.

Senator GOODING. Are you an importer at the present time?

Mr. WATSON. No, sir; I am out of business at the present time. Through this thing I lost everything that I had, and through the kindness of two banks I have been doing liquidation work for them in New York.

Senator McNARY. Here is a letter that is handed to me from the Department of Justice, dated April 26, 1922, addressed to our chairman.

APRIL 26, 1922.

HON. G. W. NORRIS,
Chairman Committee on Agriculture and Forestry,
United States Senate.

MY DEAR SENATOR NORRIS: The Attorney General has referred to me your request for comment relative to Senate Joint Resolution 91 authorizing the President to require the United States Sugar Equalization Board to adjust the transaction relating to 3,500 tons of sugar imported from the Argentine Republic.

This transaction seems to be similar to the claims of the American Trading Co., B. H. Howell, Son & Co., and P. De Ronde & Co., which I understand have been favorably recommended by your committee. When the above-mentioned claims were under consideration by the House Committee on Agriculture a request was made for an expression of the views of this department. In response thereto a letter was transmitted January 17, 1922, to Hon. Gilbert N. Haugen, chairman of the committee, setting forth in detail the affirmative views of this department. These views may possibly apply to Senate Joint Resolution 91, and I am, therefore, inclosing a copy of the letter of January 17, 1922, for such use as your committee may desire to make of it.

Very truly yours,

GUY D. GOFF,
Assistant to the Attorney General.

JANUARY 17, 1922.

HON. GILBERT N. HAUGEN,
Chairman Committee on Agriculture,
House of Representatives.

DEAR MR. CHAIRMAN: In response to the request of the committee at the hearing on June 9 last for an opinion upon the legal obligation of the Government to indemnify the American Trading Co. and B. H. Howell Son & Co. for losses suffered in connection with the importation of sugar from Argentina, as proposed in House Joint Resolution 78, I take this occasion to submit for the committee an informal expression of the view of this department.

The Attorney General expressed the view before the committee that there was an undeniable moral obligation, and, in his opinion, a legal obligation upon the Government. The committee has also been fully informed of all the facts from competent sources, as appears from the statements before it and the reports of the several committees which have considered the subject, including its own majority and minority report No. 1276, dated February 1, 1921. The facts shown therein indicate the ground of legal liability. They are not, as far as can be ascertained, seriously questioned. They plead powerfully in behalf of the companies, and show that it was in pursuance of authority to deal with the then existing high prices that the Attorney General became connected with the matter and used these companies to ameliorate that condition.

The Attorney General, in the exercise of authority derived from the Lever Act, and conferred on him by the President, was authorized to use means which were necessary and appropriate to provide the country with an adequate supply of sugar. That the arrangement between the department and Howell Co. and the trading company were proper is, of course, beyond doubt, because it brought to pass the relief for which it was used, and brought it to pass in a much greater measure than was expected. Indeed, its very efficacy is among the important facts causing the loss.

As a matter of law, however, the question is rather whether these companies were such agencies as were intended in the Lever Act, and the instrument conferring authority upon the Attorney General. The agencies there referred to were, of course—because of the peculiar situation then existing—not limited to such only as previously had been recognized or used; and consequently it is not necessary to establish here a strictly relationship of agency in which the agent is entirely subject to the control of the principal. Apart from the arrangement entered into with the department, these companies were independent importing and distributing agencies, but with respect to that ar-

rangement, while retaining much of their independence, which indeed was necessary for the purpose, they were in a very large measure controlled by the department, and especially in those particulars out of which the loss immediately grew; for instance, in connection with authority to ship from Argentina and distribute sugar in this country. That they were in these particulars controlled by the Government; that the loss is attributable to such control; and that but for the control the loss might have been prevented, appears from the fact that the Government prohibited the sale of the sugar in the Argentine when the loss was foreseen. And that this prohibition was rspected establishes the fact that the Government's control was understood and that obedience to its order would not result in loss to the companies.

In the view of the department there is no uncertain authority in law under which the Attorney General acted; nor is it possible to consider this subject as a legal matter apart from its equitable nature. The view that there is no legal liability is at best doubtful, and it must be kept in mind that as a legal and especially as a practical matter, the equities which so strongly color the facts will distinctly tend to resolve doubtful legal questions in favor of the company. These claims may indeed be termed debts of the United States, debts of that peculiar character which dictate relief at the hands of Congress, as intimated by the Supreme Court in the following passage from the United States *v.* Realty Company:

"What are the debts of the United States within the meaning of this constitutional provision (Art. 1, sec. 8)? It is conceded, and indeed it can not be questioned, that the debts are not limited to those which are evidenced by some written obligation or to those which are otherwise of a strictly legal character. The term 'debts' includes those debts or claims which rest upon a merely equitable or honorary obligation, and which would not be recoverable in a court of law, if existing against an individual. The nation, speaking broadly, owes a 'debt' to an individual when his claim grows out of general principles of right and justice; when, in other words, it is based upon considerations of a moral or merely honorary nature, such as are binding on the conscience or the honor of an individual, although the debt could obtain no recognition in a court of law."

As stated in another letter to you upon the subject, in view of the peculiar obligation upon the Government in this case, in which there appears to be general acquiescence, it seems to the department, after a review of all the evidence, that the legislation should be passed.

Senator McNARY. Well, he does not look upon this without some favor, in these letters in the record.

Senator Gooding, or Senator Ladd, are there any further questions you would like to ask the witness?

Senator LADD. This shipment was the only one you brought over from South America at that time?

Mr. WATSON. Yes, sir.

Senator LADD. What made you go to South America for this sugar at that time?

Mr. WATSON. Because I knew there was quite a large quantity there above their requirements, available in the market. The requirements of Argentine normally are about 220,000 tons a year, and the cabled crop report showed that they had 350,000 tons of sugar from the year's crop.

Senator GOODING. With the close margin that the Government allowed you you would not have imported that sugar unless you had understood that you were to be protected by the Government?

Mr. WATSON. Not for a minute.

Senator GOODING. That was a close margin, it seems to me, a cent a pound.

Mr. WATSON. By the time the expenses in the Argentine were paid, financing the 30 per cent, and with the Government control here, there was a two per cent net profit.

Senator GOODING. This strikes me as a case which is pretty much the same as those referred to in the Attorney- General's letter, Mr. Chairman.

Senator McNARY. I think we should have Mr. Riley here to testify.

Senator LADD. I think so, Mr. Chairman.

Senator McNARY. I was just wondering how we could get in touch with him.

Mr. WATSON. I do not know anything about him. I have tried to find him.

Senator GOODING. There is no question but what this limitation on the sugar by the Government has had a bad effect. It isn't strange that the Government made these mistakes. It broke up the sugar trust in this country and broke the market and clearly affected such men as yourself. A great many of them were bankrupt over it. It is a very serious matter, it seems to me.

Mr. WATSON. It didn't so much break the sugar trust in New York as it did the Cuban speculators.

Senator GOODING. Well, that is New York, you know.

Mr. WATSON. Yes.

Senator McNARY. Has it had the effect of disturbing your financial condition?

Mr. WATSON. Well, it has left me, after about 30 years of work, quite heavily in debt instead of having a very comfortable competence that I have earned.

Senator McNARY. It has cleaned out the earnings of years?

Mr. WATSON. About thirty-odd years. I had to mortgage the home that I had given to my family to get along.

Senator McNARY. I am very sympathetic with the situation. Of course, we have got to consider the interest of the Government. If you make out a claim, of course, the committee will give it very careful attention and report favorably on it, but I think we ought to have Rlley here to see what he says. I do not understand his absence and his elusiveness.

Senator GOODING. There were a great many special agents who are no longer in the employ of the Government. We had a sugar man here from my State, a very prominent man, a big merchant there. He volunteered his services. He probably was a "dollar-a-year" man, this man Riley. I know this man from my State had a high position here in the sugar department, and I think he only got his expenses and a dollar a year.

The CHAIRMAN. Do you wish to testify, Mr. Orr?

Mr. ORR. Yes, sir.

STATEMENT OF MR. WALTER S. ORR, NEW YORK CITY.

The CHAIRMAN. Please state your name and your occupation.

Mr. ORR. Walter S. Orr, of White & Case, New York City. I am a lawyer.

Senator McNARY. Are you attorney for Mr. Watson?

Mr. ORR. I am.

Senator McNARY. Were you ever associated with the Government?

Mr. ORR. No, sir.

Senator McNARY. Very well; go ahead.

Mr. ORR. I came into this matter primarily on account of the Lever Act, and it was through the advice of our office, with relation to which I did the work, that we told Mr. Watson that he had better not try to import this sugar at the 2½ cents profit, which he thought he could make, without taking the matter up with the Department of Justice and finding out whether or not the Lever Act applied. With that in mind, I came down here with Mr. Watson and talked with Mr. Figg, and we left the conference thinking that the sugar transaction was all over, because we could not get his consent. Then, later, as I recall it, the Department of Justice got in touch with Mr. Watson, because they wanted the sugar here.

Senator GOODING. Can you show a record where the department encouraged the importation of the sugar, that they took the matter up with Mr. Watson? That would strengthen your case, to my mind, if you could.

Mr. ORR. We can show that. Weren't you called over the telephone, Mr. Watson?

Mr. WATSON. Mr. Figg telephoned me.

Mr. ORR. Mr. Figg telephoned him from Washington, as I remember, and we came down here. I came back with Mr. Watson and saw Mr. Figg the second time. After we had left the original conference, we had given up any idea of importing the sugar, and it was at the second conference, as I recall it, that Mr. Figg said: "Now, if you can make an arrangement to give us the distribution of the sugar, we will make it possible for you to import the sugar," and it was really along that line that Mr. Watson went to his bankers and said: "Now, I am in a position; I have got the consent of the department." Of course, he had to have financing to get the sugar here, and, of course, the bankers wouldn't actually move until he produced a letter from the Department of Justice showing that they were all right under the Lever Act, and that was this letter, and this letter was in answer——

Senator McNARY. What letter are you referring to?

Mr. ORR. I was just about to say, Senator, that it was a letter that has already been put in evidence: "You are further informed that if you carry

out the department's requirements as to price and distribution, as so set forth, no prosecutions under the Lever Act, as amended, will arise therefrom." This letter was really demanded by the bankers of Mr. Watson before they would put up the money.

Senator McNARY. Who wrote that letter and what was the date of it?

Mr. ORR. The letter written by Mr. Riley to Mr. Watson, dated June 23, 1920. That was in reply to a long letter which has been put in evidence setting forth the conditions under which Mr. Watson would import the sugar. The real object of that letter was for the bankers, because they were not going to finance Mr. Watson until they knew two things—one that he wasn't coming under the Lever Act, and second, that he was going to get distribution of the sugar. He never got his distribution, because he couldn't work it out with the Department of Justice, and that was the cause of his loss.

Senator LADD. When was this sugar imported?

Mr. WATSON. It arrived in August.

Senator LADD. When did you give the order for the sugar?

Mr. WATSON. In June.

Mr. ORR. Right after the negotiations with the Department of Justice.

Senator GOODING. And what is the date of that letter?

Mr. WATSON. June 23, 1920.

Senator GOODING. That is as quick time as you could make. There was no delay on your part. That is the point you were trying to reach, is it not, Senator?

Senator LADD. Yes.

Senator MCNARY. We should like to have Mr. Figg here, too.

Senator GOODING. Yes. It is your purpose to try to reach those two gentlemen, is it not, Mr. Chairman?

Senator MCNARY. Yes.

Mr. Watson, will you supply the record with anything that you think would be helpful to us in arriving at a true conclusion, and we will try to get in touch with Mr. Riley and Mr. Figg and have them here as soon as possible.

Mr. WATSON. I will be glad to be of help if I can.

Senator MCNARY. Do you know Mr. Figg's initials?

Mr. WATSON. I do not.

Senator MCNARY. Have you anything showing his name?

Mr. WATSON. No; we have no correspondence from him. I would like to have the following letters included in the record:

JUNE 23, 1920.

Mr. ARMIN W. RILEY,
United States Department of Justice,
Post Office Building, New York, N. Y.

DEAR MR. RILEY: I inclose your letter, which I think will cover the matter which we discussed this morning, and if you can kindly hand bearer the response, I will proceed in this matter immediately.

I have 1,000 tons for July shipment and understand you are referring interested parties to me to-day or to-morrow. I will be pleased to see them at any time.

Very sincerely yours,

ROBERT A. WATSON.

This inclosed the agreement prepared by White and Case and was sent to him to see if it covered our mutual understanding. Mr. Riley outlined the nature of the agreement and asked Mr. Orr to put it in writing covering our discussion.

(Letter from Robert A. Watson to Department of Justice:)

NEW YORK, *July 15, 1920.*

DEPARTMENT OF JUSTICE,
Washington, D. C.
(Attention Mr. Armin E. Riley.)

GENTLEMEN: Just a line to advise you that I have booked in all 3,500 tons Argentine sugar which will cost, landed in New York, duty paid, 17¼ cents, and I will be glad to have advices from the Department into what channels this sugar is to be diverted.

The quantity above mentioned includes the 1,000 tons I advised you in my letter of June 23d.

Yours very truly,

——— ———.

NEW YORK, *July 24, 1920.*

CANNERS' SUPPLY CO., (Inc.),
135 Broadway, New York City.

GENTLEMEN: I thank you for your order contained in your letter of yesterday's date. I have also booked the 30 tons for Bausch & Lomb Optical Co. and the 80 tons for your friends in Tampa confirming our verbal conversation of this morning.

As the sugar will shortly be arriving I would like to have the entire quantity placed so that arrangements can be made promptly as the sugar is unloaded from the vessel.

As previously advised you, I have cable advice that at least 1,000 tons are coming per steamship *Winona* and I hope to have further advises of a larger lot.

Yours very truly,

——— ———.

NEW YORK, *August 3, 1920.*

CANNERS' SUPPLY CO., (Inc.),
135 Broadway, New York City.

GENTLEMEN: This will advise you that I will have in all, on board the steamship *Winona* about 1,900 tons.

As you have only given me orders up to now for 120 tons, please give me the bookings for the entire quantity as soon as possible. I understand that you have to fill orders for something between 15,000 and 20,000 tons.

Yours very truly,

——— ———.

(Whereupon, at 11.30 o'clock a. m., the subcommittee adjourned, subject to call of the chairman.)

SUGAR IMPORTED FROM THE ARGENTINE REPUBLIC.

FRIDAY, JANUARY 12, 1923.

UNITED STATES SENATE,
SUBCOMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The subcommittee met at 10.30 o'clock a. m., Senator Charles L. McNary, presiding.

Present: Senators McNary, Keyes, and McKinley.

Senator MCNARY. The committee will come to order. Mr. Riley, will you please come forward and take one of these chairs?

I will state to the committee that this is a hearing upon Senate Joint Resolution 91, authorizing the President to require the United States Sugar Equalization Board to adjust a transaction relating to 3,500 tons of sugar imported from the Republic of Argentine by Robert A. Watson, of South Orange, N. J.

Also, the hearing is on Senate Joint Resolution 172, authorizing the President to require the United States Sugar Equalization Board to adjust a transaction relating to 2,000 tons of sugar imported from the Argentine Republic by Lamborn & Co., of New York City.

(Senate Joint Resolution 172 is here printed in full ,as follows:)

"[S. J. Res. 172, Sixty-seventh Congress, second session.]

"JOINT RESOLUTION Authorizing the President to require the United States Sugar Equalization Board (Incorporated) to take over and dispose of two thousand tons of sugar imported from the Argentine Republic and adjust the loss sustained thereby.

"*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled*, That the President is authorized to require the United States Sugar Equalization Board (Incorporated) to take over from the copartnership, Lamborn and Company, a certain transaction entered into and carried on by said copartnership at the request, under direction and as agents of the Department of Justice, which transaction involved the purchase in the Argentine Republic, between May 25 and June 15, 1920, of two thousand tons of sugar, the importation thereof into the United States and the distribution of the same within the United States, and to require the said United States Sugar Equalization Board (Incorporated) to liquidate and adjust the entire transaction in such manner as may be deemed by said board to be equitable and proper in the premises, paying to the copartnership aforesaid such sums as may be found by said board to represent the actual loss sustained by them in said transaction, and for this purpose the President is authorized to vote or use the stock of the corporation held by him, or otherwise exercise or use his control over the said United States Sugar Equalization Board and its directors, and to continue the said corporation for such time as may be necessary to carry out the intention of this joint resolution."

Senator MCNARY. Some weeks ago Mr. Watson appeared here and testified. At that time I told him that in order to make out a complete case and give the committee an opportunity to determine as to its merits it would be necessary to have the representatives of the Government here; that is to say, those participating in the transaction on behalf of the Government.

The names of Mr. Riley and Mr. Figg were mentioned in that connection, and through the clerk of the committee it was later discovered that Mr. Figg had no connection with either of these transactions, I understand. Mr. Riley is here this morning.

STATEMENT OF MR. ARMIN W. RILEY.

Senator McNARY. Mr. Riley, if you will give the reporter your name, address, and occupation, please.

Mr. RILEY. Armin W. Riley, Garden City, N. Y. is my address. I am merchandising manager for John Wanamaker, New York.

Senator McNARY. In what capacity did you serve the Government during the time of these transactions?

Mr. RILEY. As special assistant to the Attorney General.

Senator McNARY. Are you practicing your profession now?

Mr. RILEY. No.

Senator McNARY. During what period of time did you serve in that capacity?

Mr. RILEY. I think it was from November, 1919, to March 3, 1921.

Senator McNARY. Are you acquainted with the transaction between the Government and Robert A. Watson regarding the 3,500 tons of sugar imported from the Argentine Republic?

Mr. RILEY. Yes, sir.

Senator McNARY. Are you acquainted with the one involved in the transaction had with Mr. Lamborn?

Mr. RILEY. Yes, sir.

Senator McNARY. While this is the Watson case, the facts in respect to your connection with the Department of Justice will perhaps run together, so go ahead, keeping in mind the Watson claim, and set forth how you came to represent the Government and particularly what authority was invested in or conferred upon you to represent the Government, and briefly outline to the committee your relationship and the understanding had with Mr. Watson about his transaction. Go right forward.

Mr. RILEY. When I first became actively interested in sugar, I was in charge of investigations of excessive profits made by those dealing in sugar, and I told the Attorney General that in my opinion the only way to have any effective results in the sugar situation was to prosecute those who were making excessive charges, rather than attempting to meet with them and appoint fair price commissioners and do other things by agreement, because we found that had not been effective. That had been the function of Mr. Howard Figg, who set up fair price commissions throughout the country, and I did not feel that was the proper way to proceed at that time, because the market was getting away.

I finally persuaded the Attorney General that that was the procedure to follow, and he put me in charge of those cases throughout the United States.

We found it necessary to open an office in New York, because most of the refiners and most of the big importers were located in New York, and it seemed a hardship to call for them, whenever anything would come up that would be of interest to them, to come to Washington. So we opened an office in New York City, and I spent part of my time in New York and part of my time in Washington and traveling to Chicago, New Orleans, Texas, and all around as requirements might demand.

The Attorney General met with the sugar refiners—I do not know whether you want me to go into all this or not. It is in previous records.

Senator McNARY. No; I am very familiar with that.

Senator McKINLEY. It is all in the House records.

Mr. RILEY. How much do you want me to go into?

Senator McNARY. You have covered your connection with the Government. Now get right into your relationships with Mr. Watson and what was done by you in this transaction as representing the Government. Confine yourself to that.

Senator KEYES. It is all in here. Both resolutions are confined to a very limited period.

Mr. RILEY. Yes. Mr. Watson called on me with a young man whom he said represented J. P. Morgan & Co., who were going to finance him in the importations of some sugar from the Argentine, and they wanted to know under what conditions we would cooperate with them.

I told them that we were attempting to control the channels through which sugar was distributed in this country because of the complaints which we were receiving from all over that they could not can their vegetables and the small fruits and could not get sugar in the household; that we were attempting to favor the so-called essential industries and the household at the expense of the nonessential industries.

He pointed out that it would take some time to import sugar and that the market would fluctuate and he did not know exactly what the expense might be, and he was afraid, and their bankers were afraid that they might find the margin of profit was a little more or a little less than the cent we had fixed, and if the profit was more they might be involved in prosecutions. I pointed out in a letter, which I think has been incorporated in the record, that if they kept within what I thought was a reasonable profit no prosecutions would result.

That was the sum and substance, I think, of our understanding.

Senator McNARY. Are you familiar with the shipment when it arrived, if it did in fact arrive?

Mr. RILEY. No; I did not even know that it arrived.

Senator McNARY. Were you authorized to have this understanding with Mr. Watson?

Mr. RILEY. Yes; I think so.

Senator McNARY. Were you acting in the same capacity in this matter as you were in the other transactions?

Mr. RILEY. Yes, sir; they were similar.

I never undertook to furnish purchasers for any of the sugar. I merely attempted to indicate the channels through which it should go.

As a matter of fact, the canners' association and the preservers' association were represented in New York and came to my office continuously through their president and their counsel, and I told them that I would see that they got a certain supply of sugar, and I would leave it up to them to see that no one member of their association would get it at the expense of the others; that I could not undertake to see that every man got his pro rata amount. They submitted a long list of their members with their probable requirements, which would indicate about the amount of sugar they would need. That list I showed to Mr. Watson, I guess, from his testimony here. They were not customers of mine; they were members of this association whom I thought should receive the sugar. He would get that through the associations, however, and not through me.

Senator McNARY. Mr. Riley, did you participate in the transaction involving 2,000 tons of sugar imported by Lamborn & Co.?

Mr. RILEY. Yes, sir.

Senator McNARY. Go forward with that, will you please?

Mr. RILEY. Mr. Lamborn was one of a committee of three representing the importers of sugar into this country, and I met them down here in the Attorney General's office, and thereafter in my office in New York, and in other places where we held meetings. I was desirous that as much sugar as possible be brought into this country for two reasons, one, to increase the supply, and the other to bring down the price.

As a result of our conferences Mr. Lamborn brought in a certain amount of sugar.

Senator McNARY. Where were these conferences held?

Mr. RILEY. As I say, in my office in New York. The first one was here in Washington; afterwards in my office in New York in the Federal Building; and on one or two occasions in the office of Czarnikow-Rionda.

Senator McNARY. Were you then acting as assistant in the office of the Department of Justice?

Mr. RILEY. Yes; I was then special assistant to the Attorney General.

Senator McNARY. That is a rather broad term. What was the general conversation you had? What were the promises made by you, if any, on behalf of the Government? You say as the result of several conferences certain things occurred.

Mr. RILEY. I did that because I thought you did not want me to go into detail.

Senator McNARY. That is an important fact. That is a link in the whole chain of circumstances. You are a lawyer.

Mr. RILEY. Well, we had these conversations from time to time and I urged them to make every effort to bring sugar into this country.

Senator McNARY. Well, did they bring sugar in in response to any promise or request upon your part?

Mr. RILEY. Request, but no promise as to what disposition would be made of the sugar afterwards, because to my mind when they bought that sugar down

there they would immediately go out and sell it, you see, before it arrived in this country, and it never entered my head that there would be any loss, because I knew there would be such a demand for sugar at that time that they could sell it at almost any price.

Senator KEYES. Was there no promise made as to profits?

Mr. RILEY. Yes; they agreed to keep within the limit that we had indicated; that is, a profit of 1 cent a pound; but I told them, just as I did Mr. Watson, that the expenses of bringing it here and all that was more or less variable, and if it was a fraction of a cent, like a fourth of a cent, or something like that, we would not hold them strictly to the 1 cent.

Senator MCKINLEY. I am very familiar with the other sugar case of the other people and where their terrible loss came from was the hitch between this Government and the Argentine Government in letting the sugar out after they had bought it. I mean it was not let out for several months.

Mr. RILEY. Which case do you refer to?

Senator MCNARY. Well, there are two cases, what is known as the Howell case and the De Ronde case.

Senator MCKINLEY. It was a New York case.

Mr. DONALD M. HUNT (legal department, Lamborn & Co.). It is the Howell case to which you refer, I think.

Senator MCKINLEY. The Howell case. Their trouble came from the fact that after this Government had told them to go ahead and buy it they did not get a diplomatic release of it for more than three months, and in that time the market went to pieces. Did these people have the same trouble about getting the sugar at that time?

Mr. RILEY. Not the same trouble. They got the sugar here, but they got the same result; the market had gone to pieces.

Senator MCKINLEY. In the Howell case the trouble was they bought the sugar in March, we will say, with the understanding they could ship it immediately, and when it came to a showdown they could not get it released until July.

Mr. RILEY. Yes.

Senator MCKINLEY. Did these people have the same trouble?

Mr. RILEY. My understanding is the Howell people could have bought the sugar the same way that Lamborn did, and would have gotten it in sooner than they did but they were attempting to bring it in without putting up that 30 per cent.

Senator MCKINLEY. No, no; there was an embargo against shipping sugar.

Mr. RILEY. Then, how did Lamborn get theirs?

Mr. HUNT. I think I can explain that.

Senator MCNARY. Put your name in the record.

Mr. HUNT. Mr. Hunt. I am with Lamborn & Co.

Senator MCNARY. In what capacity?

Mr. HUNT. I am in the legal department.

Senator MCNARY. Were you employed by them at the time of this transaction?

Mr. HUNT. No. sir.

Senator MCNARY. All you know, then, is hearsay?

Mr. HUNT. Yes, hearsay.

Senator MCNARY. Mr. Hunt, you know as a lawyer that is not evidence.

Mr. HUNT. I know that, but I did not know the strict rules of evidence were observed in the hearings.

Senator MCNARY. We have our notions ,however ,about legal testimony. Mr. Lamborn is here, is he?

Mr. HUNT. Yes.

Senator MCNARY. Have you finished, Mr. Riley?

Mr. RILEY. No; I might say, Mr. Chairman, I have just glanced over the testimony of Mr. Watson and Mr. Orr, and he states he made numerous efforts to communicate with me and he was unable to do so.

Senator MCNARY. What was that, Mr. Riley?

Mr. RILEY. I say in this testimony, which I glanced over, Mr. Watson refers to his inability to get any response to letters from me, or when he came to my office, to see me.

Senator KEYES. When was that, Mr. Riley, recently?

Mr. RILEY. No.

Senator KEYES. At the time of these transactions?

Mr. RILEY. Yes. As a matter of fact, I received no letters, and nobody had any difficulty in seeing me when I was in town. I would see everybody. I had no reason not to see Mr. Watson any more than anybody else.

When I did get what I considered a scurrilous letter from Mr. Watson, saying I had failed to help him out in view of his communications to me, I told him I had received no communications from him and would appreciate receiving copies of those letters he said he had sent me and take it up with my office and find out why he had not had a response. I never heard from Mr. Watson again.

Senator MCNARY. That is not important here.

Mr. RILEY. No; but it leaves me on the record as——

Senator MCNARY. You have explained it.

Mr. RILEY. Yes, sir.

Senator MCNARY. Mr. Lamborn, will you come around?

STATEMENT OF MR. ARTHUR H. LAMBORN.

Senator MCNARY. Mr. Lamborn, give your full name to the reporter and your address, please.

Mr. LAMBORN. Arthur H. Lamborn. 250 Upper Mountain Avenue, Montclair, N. J. My firm is Lamborn & Co. with main offices at 132 Front Street, 7 Wall Street, New York, and with branches in 24 cities throughout the world. Do you wish me to tell the story in connection with this 2,000 tons of Argentine sugar?

Senator MCNARY. That is it exactly, and nothing else.

Mr. LAMBORN. Well, we were invited to meet the Attorney General of the United States on the 10th of May, 1920.

Senator KEYES. Who extended you the invitation?

Mr. LAMBORN. Mr. Figg telegraphed us. A copy of the telegram is in this brief we have prepared.

Senator MCNARY. Where is that telegram?

Mr. LAMBORN. We have the original here, and a copy of it is in that brief.

Senator MCNARY. You had better put the original in the record; that is, if you desire to put the telegram in the record.

Mr. LAMBORN. Certainly; anything you wish, sir.

Senator MCNARY. Of course, we want evidence and not a brief.

Mr. LAMBORN. We compiled that (referring to a statement of facts on the Lamborn & Co. claims, copies of which were presented to the committee) to make it as brief as possible, and all the original documents are here.

Senator MCNARY. That is very nice, but we want to see the telegrams and the original documents.

Mr. LAMBORN. The meeting was postponed. On the 17th of May Mr. Figg again wired us inviting us for the meeting on the 20th.

Mr. HUNT. Here are the two original telegrams.

Senator MCNARY. Give them to the reporter to put in the record and he will return them to you.

(The telegrams referred to are as follows:)

[Telegram.]

WASHINGTON, D. C., *May 17, 1920.*

A. H. LAMBORN & Co.,
New York City:

You will please be present at a conference to be held room 301, Department of Justice, Thursday, May 20, 11 a. m., for the purpose of considering sugar situation.

HOWARD FIGG.

[Telegram.]

WASHINGTON, D. C., *May 7, 1920.*

A. H. LAMBORN & Co.,
New York City:

You will please be present at a conference to be held in my office, Department of Justice, Washington, D. C., Monday, May 10, 11 a. m., for the purpose of considering certain questions in reference to sugar.

HOWARD FIGG.

Senator McNARY. Proceed, Mr. Lamborn.

Mr. LAMBORN. The Attorney General was not able to be there on the 20th, and the meeting was postponed to the 21st.

All the important exporters and importers in the United States were present on the 21st, and the Attorney General addressed the meeting and said that the purpose of the meeting was to appeal to the importers to bring in sugar from every part of the world; that the department had looked into the matter seriously and believed there was going to be a great shortage of sugar. We had a very open discussion.

I asked the Attorney General if he would give us a copy of the minutes. He promised to do so, but, when we asked for them later, we received a short one-page memorandum as to what the purpose of the meeting was, and they later told us the reason the full copy of the minutes was not given was because the conversation was so general and some of us talked so fast that the reporter could not take it on the record.

At this meeting the Attorney General asked us to appoint a committee of three to represent the department under Mr. Riley to bring in sugar and to make an appeal to the other importers.

I personally objected to our appointing our own committee, but the Attorney General said he did not know any of us and he thought that among all of us we ought to be able to appoint a committee that would be representative of the importers generally. On that committee were Czarnikow-Rionda, Minford Lueder & Co., and Lamborn & Co.

At this meeting, I might make it clear, that the Attorney General made a very strong, almost an impassioned appeal to everyone to bring in sugar. The market for raw sugar at that time——

Senator McNARY. Who was the Attorney General then?

Mr. LAMBORN. Mr. Palmer. And I might say at that meeting Mr. Figg, Mr. Riley, and Mr. Garvan were present, so they must have thought it was an important situation at that time.

On that day and while I was in that meeting a telegram was brought to me bidding 23½ cents a pound for raw sugars, and I offered publicly to all the importers there to buy 50,000 bags of centrifugal raw sugars at 23¼ cents and none would accept it. So you can see at that time there was some strength in the situation.

We left the meeting and a few days later Mr. Riley came to New York and asked us to meet him at his office, which was in the post-office building. We did meet him, this committee of three, and at that time he brought up particularly the question of Argentine sugars and made an appeal to us to bring in the sugar and to invite others to bring it in.

I might say at the meeting with the Attorney General and his assistants in Washington we discussed the strength of the market and also the great risk of the market, and the Attorney General at that time said that they had a statistical department and that they were satisfied that there was practically no risk in importing sugars in view of the great scarcity. The scarcity, however, was apparent and not real.

At this meeting on the 25th day of May I told Mr. Riley that we had had a meeting of our firm and that we did not believe we were justified in bringing in additional sugars. I also brought up the conversation I had with the Attorney General in Washington. But he brushed the matter aside. I could not exactly remember his words, but the inference was that there was no risk in bringing in sugars; that the fact was the demand was greater than the supply.

That morning we sent a cable to our own office in Buenos Aires and they sent a cable back. The original cable is here and it is also quoted in this brief we have prepared. And we accepted 1,000 tons for shipment from the Argentine promptly.

On the 22d of May the Argentine Government released the embargo on Argentine sugars. We knew nothing about any reservation of 30 per cent on so-called pilet sugar, which is sort of a cube or domino sugar, and our office assured us they had no trouble in buying the sugar without putting up 30 per cent. I presume the 30 per cent pilet-type sugar was put up by our vendors. They offered to ship on the *Faith*, a wooden boat, which we declined and said we must have a steel vessel.

A few days later they offered us another thousand tons, which we purchased for shipment from Buenos Aires. The sugar was delivered to us on a c. i. f.

basis; that is, cost, insurance, and freight, so we had nothing to do with the tonnage. We bought it delivered at New York.

The first 1,000 tons was loaded at Rosario between the 10th and the 15th of June. We got two weeks shipment, which is very prompt, after we purchased it. The second 1,000 tons was placed on the same ship at Buenos Aires, the ship proceeding from Rosario to Buenos Aires in the meantime.

The ship reached New York on the 21st of July. In the meantime, about the end of June and the first days of July, shortly after this, the market commenced to waver and by the middle of July there was absolutely no sugar market. Many refiners told me they had not made sales of even a carload of sugar in single days.

Our business is very extensive.

Senator McNARY. What was the spread in the decline in price in that period?

Mr. LAMBORN. I do not think the American refined market actually declined, because it wavered for a while, then when the market did decline on raw sugar it affected the refined sugar market. But the inside price paid by legitimate refiners was 23¼ cents for raw sugars in the month of May, 1920. In December the price had declined to 3¾ cents a pound, so you can see between the 1st of July, when the market wavered, and the end of the year there was a debacle in sugar, a panic.

Senator McNARY. What did you do with the sugar when you got it in?

Mr. LAMBORN. We tried to sell it and when we could not sell it we consigned it to Pittsburgh, Indianapolis, Columbus, Louisville, and other markets. I have the detail in the record. And we urged our brokers there to sell it as quickly as they could, but it took months before we disposed of it.

Senator McNARY. What was the mean average price received per ton?

Mr. LAMBORN. I could not tell that exactly. We have our comptroller's sworn statement here.

Senator McNARY. Do you not know the amount of your losses?

Mr, LAMBORN. Yes; five hundred and seventy-odd thousand dollars.

Senator McNARY. You arrive at that, do you not, by computation of the sugar disposed of in these various cities?

Mr. LAMBORN. Yes, sir.

Senator KEYES. What was your total importation?

Mr. LAMBORN. Of the Argentine sugar?

Senator KEYES. Yes.

Mr. LAMBORN. Two thousand tons.

Senator KEYES. You sold all of it?

Mr. LAMBORN. Yes; we sold it just as fast as we possibly could and I think we disposed of it as rapidly as anyone possibly could, because we urged the sale not only by telegram but by telephone and personal visits to these various markets. We tried to get jobbers to take it off of our hands as quickly as possible.

Senator McNARY. Concretely, what was your understanding or agreement with the Government for recouping you for these losses?

Mr. LAMBORN. Absolutely none.

Senator McNARY. You put it on the moral obligation of the Government to protect you?

Mr. LAMBORN. Yes. I will tell you why. We stated to the Attorney General at Washington, we stated to his assistant, who was in entire charge—Mr. Riley was appointed and it was publicly announced in the press that he was the only man who would handle the sugar business in the United States. We did not purchase any other sugar that year after the dates I have mentioned, and had practically stopped buying, although we had handled, I should judge, the second largest or certainly the third largest importation of sugar in that year. I think we had sugar from practically every sugar-producing country in the world with the exception of Natal.

Senator McKINLEY. Just to put it real clearly, you bought at practically the request of the Government 2,000 tons of sugar from the Argentine, shipping up here just as fast as you could get it here, disposed of it as fast as you could dispose of it, and you lost $575,000?

Mr. LAMBORN. That is the truth.

Senator McNARY. Had you been dealing in sugar before, Mr. Lamborn?

Mr. LAMBORN. We had been dealing in sugar, yes; but I have been in the brokerage business myself since 1891.

Senator McNARY. Were you, at that time, importing sugar into this country?

Mr. LAMBORN. Yes, sir; I have just stated that just prior to this time the

firm had decided not to import any additional sugars whatever, but we had sugars arriving all during the balance of the year, bought from various countries, Java, Japan, Calcutta, England, Belgium, France, Holland.

Senator McNARY. If you were importers of sugar it might occur to one from a reading of the record that you were simply carrying out your activities along that line subject to the normal losses that might ensue in abnormal times.

Mr. LAMBORN. That might occur, but if you wish I am perfectly willing to be sworn on the point.

Senator McNARY. It is not a question of swearing. You will tell the truth or you will not tell it.

Mr. LAMBORN. Yes. But I think Mr. Riley will confirm the statement that we were the only importers—even Czarnikow-Rionda, large importers, Minford Lueder & Co., also large importers, did not bring in Argentine sugar. We were the only importers on that committee who brought it in.

Senator McNARY. Did you present this claim to the United States Sugar Equalization Board?

Mr. LAMBORN. I brought the matter to Mr. Glasgow's attention, and as far as I can understand, it had no relation with the United States Sugar Equalization Board for the reason they were not functioning.

Senator McNARY. Did they make a report on your claim?

Mr. LAMBORN. Not to me.

Senator McNARY. That was not the question. Did they make a report, I said?

Mr. LAMBORN. Glasgow voluntarily sent letters to the House Committee on Agriculture approving strongly the Howell and American Trading Co.'s bills and disapproving of our bill as he disapproved of De Ronde's bill, but later when we brought our bill before the House committee he volutarily wrote a letter to the House committee disapproving of our bill.

Senator McNARY. Are there any other questions you desire to ask Mr. Lamborn?

Mr. Hunt, have you anything to say outside of submitting this brief?

Mr. HUNT. Well, the brief contains a very concise statement, I think, of the whole matter, Senator.

Mr. LAMBORN. Senator, you asked something about whether there was any difficulty bringing the sugar out of the Argentine. We had no difficulty. What difficulties the others had we do not know, except what the others stated on the record.

Senator McKINLEY. I was on the House Committee all through two terms of Congress when the American Trading Co. matter was up, so I was quite conversant with that.

Mr. LAMBORN. We could have bought a great deal more Argentine sugar and I do not suppose we would have had difficulty bringing it out.

Senator McKINLEY. Your testimony shows you came in later than they did. Their arrangements were made, I think, before the 1st of April, or about that time, with Mr. Figg for the Government.

Mr. LAMBORN. I would like to insert here—I do not want to be objectionable in doing it, but you must remember when we met the Attorney General it was not a question so much of breaking the price of sugar as it was supplying the demand. In late June and July there was a weakness in the market, and the Assistant Attorney General, Mr. Riley, probably feeling it was in the performance of his duty, did all he could to publish the fact that now sugars would be plentiful, and especially the press gave a great deal of publicity to the fact of the importation of Argentine sugars. That is the reason we feel the Government is morally committed to us on this transaction.

Senator McNARY. Is that your testimony, Mr. Lamborn? That is, you have concluded your statement, I assume?

Mr. LAMBORN. Unless you desire to ask me something.

Senator McNARY. You have a brief here which we will look into thoroughly, and I think the testimony is very complete.

Mr. LAMBORN. Yes; we brought this paper here to show you exactly how we proceeded. This is as concise as we could make it. It has copies of the original documents; the original documents are all here. If you wish to see them, we will produce them. Our comptroller was formerly the chief accountant of the American Sugar Refining Co., I think, for 28 years, and is a man of very high character, and he made up that statement.

Mr. HUNT. Mr. Chairman, I understand your committee submitted this matter to the Attorney General some time ago, and that he submitted an opinion in favor of it. I think that should be a part of the record here.

Senator McNARY. That is a part of the record. We will fix up the record.

Mr. HUNT. I did not know that.

Senator McNARY. That has been in the record for some time. That will be all for you gentlemen this morning.

You testified, Mr. Watson. Have you anything additional to say?

Mr. WATSON. Nothing, unless you want to ask me something.

Senator McNARY. I think you went very completely into the case and that is a part of the record. I think we are all familiar with it.

We will read this record and get the whole committee together.

(Whereupon the subcommittee went into executive session.)

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TITLE